

<b>UNITED STATES BANKRUPTCY COURT</b> <b>DISTRICT OF NEW JERSEY</b> <b>Caption in Compliance with D.N.J. LBR 9004-1(b)</b>	
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In re:  BLOCKFI INC., <i>et al.</i> ,  Debtors. <sup>1</sup>	Chapter 11  Case No. 22-19361 (MBK) (Jointly Administered under a Confirmed Plan <sup>2</sup> )

**WIND-DOWN DEBTORS' OMNIBUS REPLY TO RESPONSES TO  
FOURTEENTH OMNIBUS OBJECTION TO CLAIMS**

<sup>1</sup> The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: BlockFi Inc. (0015); BlockFi Trading LLC (2487); BlockFi Lending LLC (5017); BlockFi Wallet LLC (3231); BlockFi Ventures LLC (9937); BlockFi International Ltd. (N/A); BlockFi Investment Products LLC (2422); BlockFi Services, Inc. (5965) and BlockFi Lending II LLC (0154). The location of the Wind-Down Debtors' service address is c/o M3 Partners, 1700 Broadway, 19th Floor, New York, NY 10019.

<sup>2</sup> On October 3, 2023, the Court entered an order confirming the Third Amended Joint Chapter 11 Plan of BlockFi Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code (Additional Technical Modifications) (the "Plan") [Docket No. 1609].

TO: THE HONORABLE CHIEF JUDGE MICHAEL B. KAPLAN  
UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW  
JERSEY

BlockFi Inc. and its debtor affiliates (collectively, “BlockFi” or the “Wind-Down Debtors”), as managed by the Plan Administrator in the above-referenced Chapter 11 cases (the “Chapter 11 Cases”), hereby file this *Wind-Down Debtors’ Omnibus Reply to Responses to Fourteenth Omnibus Objection to Claims Filed* (the “Reply”) to responses filed by creditors to the *Wind-Down Debtors’ Fourteenth Omnibus Objection to Claims* (the “14th Objection”) [Docket No. 2010]. In support of the Reply, the Wind-Down Debtors respectfully represent as follows:

**Factual Background**

1. On December 21, 2023, the Debtors filed the 14th Objection, seeking to disallow and expunge or modify and allow certain proofs of claim as indicated on Schedule 1. Creditors whose claims were contained on Schedule 1 to the 14th Objection were directed to file any responses with Kroll Restructuring LLC (“Kroll”) by 4:00 pm ET on January 30, 2024. Kroll received 151 responses (the “Responses”), some of which were duplicates.

2. Except as noted below, the Responses received fell into four general categories:

- **Response Type 1:** Responses that indicated that the creditor agreed with the treatment of their claim on Schedule 1.
- **Response Type 2:** Responses that contained no substantive request or comment to the 14th Objection or contained questions/requests related to distributions. Many Responses simply attached the documents the creditor was served with by Kroll or pre-petition account statements without notation or comment. Counsel reached out to all creditors with questions but as these responses made no substantive argument they are not addressed in this Reply.
- **Response Type 3:** Responses that disputed the use of petition date coin pricing to determine the dollarized amount of a creditor’s claim.

- **Response Type 4:** Responses that took issue with the dollarization of the claim amounts and/or incorrectly assumed that the Wind-Down Debtors would only be making distributions in cash.

3. The chart below contains a short summary of the Responses received.

Claim #	Response Type	Notes on supporting documentation
17866	2	BIA statement with 10/31/22 pricing
2385	3	Screenshot with calculation using unknown pricing
5621	2	Copy of proof of claim
18239	3	Letter requesting balance confirmation - <b>RESOLVED</b>
21386	4	Letter requesting return of crypto in-kind
16235	3, 4	Letter disputing dollarization and petition date pricing
9300	2	Copy of claim objection
464	1	Letter indicating agreement with modification
1859	2	Copy of Wallet order and proof of claim
4416	2	Copy of claim objection
32624	4	Letter requesting return of crypto in-kind - <b>RESOLVED</b>
118	1	Letter indicating agreement with modification
10993	1	Letter indicating agreement with modification
19301	3, 4	Letter requesting "retrieval of original basis."
1795	3	BIA statement with 10/31/22 pricing and letter requesting current value
20735	2	Copy of claim objection
119	1	Letter indicating agreement with expungement
17005	2	Copy of claim objection
22051	2	Copy of claim objection
5662	2	Screenshot of retail loan collateral account
171	3	Email showing ACH deposits and re-asserting claim amt - <b>RESOLVED</b>
22799	2	Copy of claim objection
20401	2	Copy of claim objection
28320	2	Screenshot of Wallet and BIA balances
78	2	Copy of claim objection
13688	1	Note indicating agreement with modification
10677	2	Copy of claim objection
21664	2	Copy of claim objection and screenshot of BIA balances
22910	3	Letter discussing changing value of crypto
1153	1	Note indicating agreement with modification
26571	2	Letter providing current crypto balances - <b>RESOLVED</b>
18307	2	Letter asking how funds can be withdrawn
21976	2	Screenshot of BIA balances
21593	1	Letter indicating agreement with modification
11184	2	Letter and screenshot providing coin balances in BIA
19571	2	Screenshot of BIA balances
12056	3	Letter requesting balance confirmation - <b>RESOLVED</b>

1302	2	Screenshot of BIA transaction log
23743	2	Copy of claim objection
18395	2	Copy of claim objection
2353	1	Note indicating agreement with modification
19157	1	Letter indicating agreement with modification
18745	3	Screenshot of Wallet and BIA balances and letter disputing valuation date
904	3	Letter disputing petition date valuation
12554	3	Bank account statements and letter disputing valuation date
89	2	Screenshot of BIA balance
21292	4	Letter requesting return of crypto in-kind - <b>RESOLVED</b>
1074	2	Screenshot of BIA balance and copy of claim objection
18242	2	Screenshot of Wallet and BIA balances
17136	1	Letter indicating agreement with expungement
20326	2	Copy of claim objection
21018	1	Letter indicating agreement with expungement
3446	1	Note indicating agreement with modification in signature block
242 <sup>3</sup>	2	Proof of claim and BIA balances – <b>RESOLVED</b>
20387	1	Letter indicating agreement with modification
2586	3, 4	Letter disputing dollarization and petition date pricing
3108	1	Letter indicating agreement with modification
27750	2	Copy of claim objection
18500	1	Letter indicating agreement with modification
14985	2	BIA and Wallet statements
11163	2	Copy of claim objection
3195	2	Copy of claim objection
20987	3	Letter disputing petition date pricing
133	1	Letter indicating agreement with expungement
19842	1	Letter indicating agreement with modification
26050	2	Copy of proof of claim
1824	3, 4	Letter disputing dollarization and petition date pricing
16919	3, 4	Letter requesting crypto in full, in-kind
2848	1	Needed assistance correcting spelling of his last name
17092	3, 4	Letter disputing dollarization and petition date pricing
1681	3, 4	Letter disputing dollarization and petition date pricing - <b>RESOLVED</b>
20171	2	BIA transaction log
21339	2	Copy of claim objection
357	2	Copy of claim objection
24641	2	BIA screenshot and transaction log
24283 <sup>4</sup>	Other	Letter alleging violations of state law

<sup>3</sup> This proof of claim was mistakenly linked to a second account held by this claimant that did not have any funds. The proposed revised order will be corrected to reflect a modification of this claim to the correct scheduled amount of \$34,422.66 and the claimant has confirmed in writing to Wind-Down Debtors' counsel that she agrees with this modification.

<sup>4</sup> The objection to this claim will be adjourned to a future hearing date and a separate reply will be filed.

7 <sup>5</sup>	Other	Letter alleging that Cheela Cert. and objection are deficient
8962	2	Letter seeking clarification on proposed modification
4129	2	BIA screenshot and transaction log
375	3	Letter asserting valuation at current prices
3215	2	Entire 14 <sup>th</sup> Omni attached
29752	2	Requested update on distributions
19192	2	Letter requesting return of funds
660	4	Letter requesting in-kind distributions
25094	2	Copy of claim objection
2921	2	BIA screenshot
2260	2	BIA and Wallet screenshot
13028	3	Letter calculating claim using 11/10/22 pricing
6092	2	Copy of claim objection and LSA
31715	2	Phishing email
19899	1	Letter indicating agreement with modification
2304	3	BIA screenshot and statement and valuation using 11/10/22 pricing
19999	4	Letter requesting crypto in full, in-kind
16032	1	Letter agreeing with modification, requesting clarification about claims
24686	3	Letter asserting claim valued at 1/11/24 pricing
2574	1	Letter indicating agreement with modification
201 <sup>6</sup>	2	Letter requesting review of claim - <b>RESOLVED</b>
1232	1	Letter indicating agreement with modification
17013	2	Copy of claim objection
25689	2	Screenshot of BIA balances
24399	2	Screenshot of BIA balances and account statement
15031	2	Screenshot of BIA balances and account statement
1369	2	Account statement reflecting 10/31/22 coin prices
1399	2	Account statement reflecting 10/31/22 coin prices
13557	2	Passport photo
22506	3	Note demanding return at current coin values
18756	3	Letter rejecting “settlement” of his claim and citing current prices
6842	3	Proof of claim, calculated claim amounts at current pricing
18740	2	Tax documents
9917	3	Asserting claim for Wallet funds and using 11/11/22 pricing
13510	2	Handwritten note with Wallet and BIA balances
11069	2	Handwritten note with Wallet and BIA balances
21092	2	October 2022 account statement
10934	2	Screenshot of BIA balances
703	2	Screenshot of BIA balances
892	1	Letter indicating agreement with modification

<sup>5</sup> The objection to this claim will be adjourned to a future hearing date and a separate reply will be filed.

<sup>6</sup> This proof of claim was mistakenly linked to a second account held by this claimant that did not have any funds. The proposed revised order will be corrected to reflect a modification of this claim to the correct scheduled amount of \$13,753.33 and the claimant has confirmed in writing to Wind-Down Debtors’ counsel that he agrees with this modification.

19407	2	Screenshot of BIA balances
24449	2	Loan Term Sheet
1697	1	Letter indicating agreement with modification
6329	1	Letter indicating agreement with modification
6062	3, 4	Letter disputing dollarization and petition date pricing
17106	2	Copy of claim objection
1862	3, 4	Letter disputing dollarization and petition date pricing
5441	2	Copy of claim objection
3238	2	Driver's license
21043	3, 4	Letter disputing dollarization and petition date pricing
7642	2	Wallet and BIA statements
1902	1	Letter indicating agreement with modification
16989	2	Letter discussing type of coins purchased
1197	N/A	Claim not on Omni 14, response related to capping motion - <b>RESOLVED</b>
16927	1	Letter indicating agreement with modification
870	3	Letter valuing claim using 1/28/24 pricing
25004	2	Screenshot of BIA balances
19718	2	Letter requesting ability to withdraw funds
4299	3, 4	Letter disputing dollarization and petition date pricing
15495	2	Disagrees with asserted claim amount on proof of claim he filed but agrees with modification. Attached different proof of claim than the one being objected to.
25285	2	Screenshot of BIA balances
13651	2	BIA account statement
2701	3, 4	Letter disputing dollarization and petition date pricing
N/A	N/A	Hard copy of responses to Claim Nos. 10934 and 19407
24890	2	Copy of claim objection
349	2	Letter response citing to various inapplicable parts of the Bankruptcy Code
17590	2	Tax document
23199	2	Screenshot of BIA balance
1500 <sup>7</sup>	Other	Letter stating BlockFi cannot rely on its books and records to object
26586	N/A	Creditor cannot withdraw Wallet funds because of potential preference claims, working with counsel for creditor on resolution but counsel has indicated claim may be modified as proposed on the order.
21009	2	Screenshot of BIA balance
26527	2	Screenshot of BIA balance
27403	4	Requests in-kind distribution

<sup>7</sup> This creditor asserts, without explanation or support, that BlockFi may not rely on its own books and records because of a “preponderance of bad faith actions” but does not provide any documentation supporting the asserted claim amount. The proof of claim filed attaches documentation showing a wire to BlockFi of \$10,000 in January 2021 and a BIA statement from August 2021, over 14 months prior to the petition date.

4. Upon receiving the Responses, counsel for the Wind-Down Debtors attempted to contact all creditors whose Responses posed questions or appeared to contain misunderstandings about accounts or claims that could be clarified. If Wind-Down Debtors' counsel was able to address and clarify the issues raised by the creditor, the resolution of their Response is noted in the chart above.

### **Reply**

5. The Wind-Down Debtors filed this 14th Objection to move the claims reconciliation process forward in order to make faster distributions to all creditors who filed proofs of claim related to their estate claims. As an initial matter, none of the Responses filed appear to assert a substantive dispute as to the amount or type of cryptocurrency in the creditor's interest account or retail loan collateral account as of the petition date. Rather, the Responses primarily take issue with the dollarization of claims using petition date coin pricing and request that distributions be made in-kind, rather than in USD.

6. In the interest of clarity for all creditors, this Reply will address the two main issues raised by creditors in the Responses: claim dollarization at petition date pricing and the form of distributions to creditors.

#### **A. The Bankruptcy Code, Confirmed Chapter 11 Plan, and Equity Require the Wind-Down Debtors to Value Claims in USD as of the Petition Date.**

7. Many of the Responses disputed the appropriateness of valuing creditor claims in USD as of the petition date, 11/28/22. Because of the constantly fluctuating prices of cryptocurrency and in order to fairly calculate creditor distributions, scheduled claim amounts have been determined using coin prices as of the petition date. This method of valuation is supported by both the Bankruptcy Code and the confirmed Plan.

8. 11 U.S.C. § 502(b) states that “the court, after notice and a hearing, shall determine the amount of such claim in lawful currency of the United States as of the date of the filing of the petition.” Additionally, Art.VI.F of the confirmed Plan states:

As is required by section 502(b) of the Bankruptcy Code, each Account Holder’s Claim is determined by the fair market value of the Digital Assets (based in United States dollars pursuant to the Digital Assets Conversion Table) held by the Account Holder at the Debtors as of the Petition Date at 11.59 p.m. UTC. This process is generally referred to as a “dollarization.” Dollarization allows the Debtors to put all Account Holders’ Claims on equal footing to calculate recoveries in accordance with the requirements of the Bankruptcy Code.

**B. Initial Distributions to Creditors Will Be Made in Cryptocurrency.**

9. On January 31, 2024, the Plan Administrator filed a *Status Report to Creditors* [Doc. No. 2098] to apprise creditors that initial distributions are set to begin on all Allowed Claims this month. Initial distributions on Allowed customer claims<sup>8</sup> against BlockFi Inc, BlockFi Lending LLC, and BlockFi International will be made in cryptocurrency. The Plan Administrator recognizes that the vast majority of customers wish to receive distributions in-kind and is working with the remaining BlockFi employees and the legal and financial professionals toward that goal.

10. Until the proofs of claim filed by customers have been reviewed, adjudicated, and then expunged or Allowed those customers who filed proofs of claim will be delayed in receiving distributions on their scheduled claims.

11. As such, the proofs of claim on Schedule 1 to the 14th Objection should be disallowed and expunged or modified and Allowed as indicated.

**WHEREFORE**, the Wind-Down Debtors respectfully request entry of the Proposed Order on the *Wind-Down Debtors’ Fourteenth Omnibus Objection to Claims*.

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<sup>8</sup> Certain Allowed Convenience Class claims will be paid in USD.



Respectfully submitted,

Dated: February 2, 2023

/s/ Daniel M. Stolz

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